

Message Text

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PAGE 01 SANTIA 06285 221857Z
ACTION ARA-14

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UNCLAS SANTIAGO 6285

EO 11652: NA
TAGS: BEXP, CI
SUBJ: FY 1980 TEXTILE MACHINERY TRADE MISSION

REF: USDOC 14825, SANTIAGO A-52

1. SUMMARY. A RECENTLY-COMPLETED MARKET SURVEY, A-52
POUCHED ON AUGUST 18, CONCLUDES THAT THE PRESENT OUTLOOK
FOR U.S. TEXTILE MACHINERY EXPORTS TO CHILE IS POOR. THE
PESSIMISTIC VIEW, HOWEVER, IS LARGELY BASED ON LACK OF
AVAILABLE U.S. FINANCING VIS-A-VIS THE COMPETITION, MAINLY
FROM GERMANY. THIS SITUATION COULD CHANGE IN THE FUTURE;
THEREFORE, WE RECOMMEND THAT USDOC NOT DROP SANTIAGO FROM
THE TEXTILE MACHINERY TRADE MISSION SCHEDULE AS FAR IN AD-
VANCE AS 20 MONTHS BEFORE THE EVENT. IF NECESSARY TO DO SO
FOR PLANNING PURPOSES NEVERTHELESS, LATER RECONSIDERATION
WOULD BE WARRANTED SHOULD COMPETITIVE FINANCING BECOME
AVAILABLE FOR U.S. TEXTILE MACHINERY MANUFACTURERS. END
SUMMARY.

2. IN THE PAST TWO YEARS THE GOC HAS DRASTICALLY REDUCED
ALL PROTECTIVE TARIFFS. MANY OF THE LARGER CHILEAN TEXTILE
MANUFACTURERS ARE FRANTICALLY TRYING TO MODERNIZE THEIR
FACORIES IN ORDER TO COMPETE WITH THE FLOOD OF
TEXTILE IMPORTS. CONSEQUENTLY, IMPORTS OF TEXTILE MACHINERY
HAVE GROWN TO \$ 44 MILLION IN 1977, FROM THE \$ 8 MILLION
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ANNUAL AVERAGE DURING THE PAST DECADE. SHORT ON WORKING
CAPITAL, AND FACING HIGH COST LOCAL CREDIT, BUYERS ARE
MAKING PURCHASING DECISIONS BASED MORE ON AVAILABLE FINANCING
THAN ON QUALITY OR PRICE CONSIDERATIONS. GERMANY HAS
INCREASED ITS MARKET SHARE DRAMATICALLY BY OFFERING VERY
ATTRACTIVE TERMS, INCLUDING IN MANY CASES A TWO-YEAR GRACE
PERIOD. EXTENDED TERM CREDIT ALLOW THE PURCHASERS TO

RE-PAY OUT OF EARNING GENERATED BY THE NEW EQUIPMENT.

3. WE EXPECT CHILEAN IMPORTS OF TEXTILE MACHINERY TO LEVEL OFF AT \$ 15-20 MILLION DURING 1978 AND 1979, AND BELIEVE THAT CREDIT TERMS WILL CONTINUE TO DETERMINE WHO GETS THE ORDERS. IF SUPPLIERS' CREDITS, COMPETITIVE WITH GERMAN AND OTHER EUROPEAN SOURCES, WERE AVAILABLE TO U.S. MANUFACTURERS, WE WOULD BE FRANKLY OPTIMISTIC ABOUT U.S. SALES OPPORTUNITIES.

4. UNLESS USDOC HAS ALREADY IDENTIFIED A MORE PROMISING ALTERNATIVE STOP FOR THE TEXTILE TRADE MISSION SCHEDULED FOR APRIL 1980, WE RECOMMEND THAT A FINAL DECISION ON SANTIAGO BE POSTPONED. CREDIT AVAILABILITY MAY LOOK DIFFERENT NEXT YEAR. MOREOVER, THE AUGUST 1979 TEXTILE MACHINERY CATALOG SHOW WILL PROVIDE ANOTHER MEASURE OF THE CHILEAN MARKET AT A TIME MUCH CLOSER TO THE EVENT.
GROVER

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